

STATE OF SOUTH CAROLINA

Petition of South Carolina Electric & Gas Company for  
Updates and Revisions to Schedules Related to the  
Construction of a Nuclear Base Load Generation Facility  
at Jenkinsville, South Carolina

BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2016 - - E

(Please type or print)

Submitted by: K. Chad Burgess

SC Bar Number: 69456

Address: SCANA Corp.  
220 Operation Way MC C222  
Cayce, SC 29033

Telephone: 803-217-8141

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Other:

Email: chad.burgess@scana.com

NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

**DOCKETING INFORMATION** (Check all that apply)

- ☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously  
☐ Other:

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
<input checked="" type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input checked="" type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest	
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report	



K. Chad Burgess  
Director & Deputy General Counsel

[chad.burgess@scana.com](mailto:chad.burgess@scana.com)

May 26, 2016

**VIA ELECTRONIC FILING**

The Honorable Jocelyn G. Boyd  
Chief Clerk/Administrator  
**Public Service Commission of South Carolina**  
101 Executive Center Drive  
Columbia, South Carolina 29210

RE: Petition of South Carolina Electric & Gas Company for Updates and Revisions to Schedules Related to the Construction of a Nuclear Base Load Generation Facility at Jenkinsville, South Carolina  
Docket No. 2016-\_\_\_-E

Dear Ms. Boyd:

Enclosed for filing pursuant to S.C. Code Ann § 58-33-270(E) (2015) is South Carolina Electric & Gas Company's ("SCE&G") Petition for Updates and Revisions to Schedules Related to the Construction of a Nuclear Base Load Generation Facility at Jenkinsville, South Carolina ("Petition").

Also enclosed for filing and consideration by the Public Service Commission of South Carolina is a draft Notice of Filing and Hearing and Prefile Testimony Deadlines ("Notice"). SCE&G is proposing a hearing date of October 4, 2016, which takes into account the statutory deadline for an order in this matter.

By copy of this letter, we are providing the South Carolina Office of Regulatory Staff with a copy of the Petition and the draft Notice and include a certificate of service to that effect.

If you have any questions, please do not hesitate to contact us.

Very truly yours,

K. Chad Burgess

KCB/kms  
Enclosures

cc: C. Dukes Scott  
Nanette S. Edwards  
Dawn Hipp  
M. Anthony James  
Jeffrey M. Nelson, Esquire  
Shannon Bowyer Hudson, Esquire  
(all via electronic mail and U.S. First Class Mail w/enclosures)

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

CLERK'S OFFICE

NOTICE OF FILING AND HEARING AND PREFILE TESTIMONY DEADLINES

DOCKET NO. 2016-\_\_\_\_-E

**PETITION OF SOUTH CAROLINA ELECTRIC & GAS COMPANY FOR UPDATES AND REVISIONS TO SCHEDULES RELATED TO THE CONSTRUCTION OF A NUCLEAR BASE LOAD GENERATION FACILITY AT JENKINSVILLE, SOUTH CAROLINA**

In Order No. 2009-104(A), dated March 2, 2009, the Public Service Commission of South Carolina ("Commission") authorized South Carolina Electric & Gas Company ("SCE&G" or "Company") to construct and operate two 1,117 net megawatt nuclear facilities ("Units") to be located at the Virgil C. Summer Nuclear Station site near Jenkinsville, South Carolina. In accordance with the Base Load Review Act, S.C. Code Ann. § 58-33-210 *et seq.*, in Order No. 2009-104(A), the Commission approved an estimated capital cost for the Units of \$4.5 billion in 2007 dollars and \$6.3 billion with escalation. In Order No. 2010-12, in Docket No. 2009-293-E, the Commission approved SCE&G's request to, among other things, approve an updated schedule of capital costs for the project. The updated capital cost schedule did not alter the total estimated capital cost for the Units of \$4.5 billion in 2007 dollars but changed the forecasted timing of cash flows.

In Order No. 2011-345, the Commission approved an updated capital cost schedule for the Units which also removed all projected contingency costs as required by the decision of the South Carolina Supreme Court in South Carolina Energy Users Comm. v. South Carolina Pub. Serv. Comm'n, 388 S.C. 486, 697 S.E.2d 587 (2010). In Order No. 2012-884, the Commission approved an estimated capital cost for the Units of \$4.5 billion in 2007 dollars and a new milestone schedule reflecting substantial completion dates for Units 2 and 3 of March 15, 2017, and May 15, 2018, respectively. The South Carolina Supreme Court affirmed the Commission's ruling in all respects. South Carolina Energy Users Comm. v. South Carolina Elec. & Gas, 410 S.C. 348, 764 S.E.2d 913 (2014).

In Order No. 2015-661, the Commission approved an updated construction schedule with new substantial completion dates for Units 2 and 3 of June 19, 2019, and June 16, 2020, respectively and an updated capital cost estimate of \$5.2 billion in 2007 dollars. No appeal was taken from Order No. 2015-661.

In October 2015, SCE&G signed an Amendment to the Engineering, Procurement and Construction Agreement for the project (the "Amendment") which restructured the project construction team, revised key terms of the construction contract, established new liquidated damages and completion incentives for the contractor, resolved outstanding claims between the parties, granted SCE&G a fixed price option for the remaining work required under the construction contract and extended the substantial completion dates for each unit by approximately two months.

On May 26, 2016, SCE&G filed a Petition with the Commission, pursuant to S.C. Code Ann. § 58-33-270(E), seeking an order approving an updated construction schedule and capital cost schedule for the Units. The updated construction schedule reflects new guaranteed substantial completion dates for Units 2 and 3 of August 31, 2019, and August 31, 2020, respectively. The new capital cost schedules reflect additional costs associated with the Amendment and with certain change orders outside the Amendments. It also reflects additional Owner's costs principally associated with the Amendment and the change in the guaranteed substantial completion dates, and additional costs to upgrade certain project-related transmission equipment. In total, the capital cost schedule reflects approximately \$807 million in additional cost that have been identified since the issuance of Order No. 2015-661. The elements of the cost are set forth in more detail in the Petition.

The capital cost estimate for which the Company seeks Commission approval in this proceeding is \$6.8 billion in 2007 dollars and \$7.7 billion with escalation. In its filing, the Company states that it may seek to update its capital cost estimates during the pendency of these proceedings if additional cost items are identified or if cash flow schedules are updated.

S.C. Code Ann. § 58-33-270(E) authorizes SCE&G to petition the Commission for modification of any of the schedules related to the construction of a base load generation facility. This statute provides that such requests shall be granted if, after a hearing, the Commission finds that the changes are not the result of imprudence on the part of SCE&G. In the Petition, the Company states "SCE&G's actions associated with the Amendment and all changes in

the construction schedule and forecast of capital costs reflected in Exhibit 1 and Exhibit 2 have been reasonable and prudent.”

A copy of the company’s Petition can be found on the Commission’s website at [www.psc.sc.gov](http://www.psc.sc.gov) under Docket No. 2016-\_\_\_\_-E. Additionally, a copy of the Petition is available from the office of South Carolina Electric & Gas Company at 220 Operation Way, Mail Code C222, Cayce, South Carolina 29033.

**PLEASE TAKE NOTICE** that a hearing, pursuant to 10 S.C. Code Ann. Regs. 103-817 and S.C. Code Ann. §58-33-270 on the above matter has been scheduled to begin on Tuesday, October 04, 2016, at 10:30 a.m., and continuing to October 5<sup>th</sup> and October 6<sup>th</sup>, and further continued after these dates, if necessary, before the Commission in the Commission’s Hearing Room at 101 Executive Center Drive, Saluda Building, Columbia, South Carolina 29210 for the purpose of receiving testimony and evidence from all interested parties.

Any person who wishes to participate in this matter as a party of record should file a Petition to Intervene in accordance with the Commission’s Rules of Practice and Procedure on or before **July 15, 2016**. For the receipt of future Commission correspondence, please include an email address in the Petition to Intervene. *Please refer to Docket No. 2016-\_\_\_\_-E and mail a copy to all other parties in this docket.* Any person who wishes to testify and present evidence at the hearing should notify, in writing, the Commission; the Office of Regulatory Staff at 1401 Main Street, Suite 900, Columbia, South Carolina 29201; K. Chad Burgess, Director and Deputy General Counsel, SCANA Corporation, 220 Operation Way, Mail Code C222, Cayce, South Carolina 29033, on or before **July 15, 2016**. *Please refer to Docket No. 2016-\_\_\_\_-E.*

**INSTRUCTIONS TO ALL PARTIES OF RECORD (Applicant, Petitioners, and Intervenors only):**

All Parties of Record must prefile testimony with the Commission and with all parties of record. Prefiled Testimony Deadlines: Applicant’s **Direct Testimony** Due: \_\_\_\_\_; Other Parties of Record **Direct Testimony** Due: \_\_\_\_\_; Applicant’s **Rebuttal Testimony** Due: \_\_\_\_\_; and Other Parties of Record **Surrebuttal Testimony** Due: \_\_\_\_\_. All Prefiled Testimony Deadlines are subject to the information as posted on [www.psc.sc.gov](http://www.psc.sc.gov) under *Docket No. 2016-\_\_\_\_-E*.

For the most recent information regarding this docket, including changes in scheduled dates included in this Notice, please refer to [www.psc.sc.gov](http://www.psc.sc.gov) and *Docket No. 2016-\_\_\_\_-E*.

**PLEASE TAKE NOTICE** that any person who wishes to have his or her comments considered as part of the official record of this proceeding **MUST** present such comments in person to the Commission during the hearing.

Persons seeking information about the Commission’s procedures should contact the Commission at (803) 896-5100 or visit its website at [www.psc.sc.gov](http://www.psc.sc.gov).

5/26/16

# Redacted

**From:** Pelcher, Steve [<mailto:stephen.pelcher@santeecooper.com>]

**Sent:** Wednesday, June 15, 2016 3:27 PM

**To:** BYNUM, ALVIS J JR; Wenick, George

**Cc:** Crosby, Michael

**Subject:** RE: V.C. Summer

Al: Since you just came back from Italy and don't personally whether this was intended to be an extra payment, let me respectfully suggest that you check with Kevin before we make this extremely large wire transfer. Given Santee Cooper's concern with the delta between the \$100 million advance payments and the ghost payments - - particularly in light of Toshiba's financial situation - - I am inclined to think that our bosses (at least my boss) did not intend to be generous beyond what is required in the October, 2015 amendment.

On my part, I will promptly elevate this to Michael Crosby and he can decide whether to walk it down to Lonnie.

Thanks.

Steve

**From:** BYNUM, ALVIS J JR [<mailto:ABYNUM@scana.com>]

**Sent:** Wednesday, June 15, 2016 3:21 PM

**To:** Pelcher, Steve; Wenick, George

**Subject:** [EXTERNAL SENDER] RE: V.C. Summer

I don't know personally, but I don't think WEC would accept it otherwise. I strongly suspect that it is in addition

**From:** Pelcher, Steve [<mailto:stephen.pelcher@santeecooper.com>]

**Sent:** Wednesday, June 15, 2016 3:11 PM

**To:** Wenick, George <[gdwenick@smithcurrie.com](mailto:gdwenick@smithcurrie.com)>; BYNUM, ALVIS J JR <[ABYNUM@scana.com](mailto:ABYNUM@scana.com)>

**Subject:** RE: V.C. Summer

\*\*\*This is an EXTERNAL email. Please do not click on a link or open any attachments unless you are confident it is from a trusted source.

George. I did not understand that, although I have not been privy to all of the conversation between Lonnie and Kevin on this.

Al Bynum: What is your understanding on the \$100 million payment? Did Lonnie and Kevin agree to advance Westinghouse an extra \$100 million beyond what is described in the October, 2015 Amendment?

Thanks.

**Crosby, Michael**

---

**From:** BYRNE, STEPHEN A <SBYRNE@scana.com>  
**Sent:** Tuesday, June 14, 2016 11:57 AM  
**To:** Crosby, Michael  
**Cc:** ARCHIE, JEFFREY B  
**Subject:** [EXTERNAL SENDER] Re: Santee Board prep

Michael,

We will be prepared with the FPO presentation. I have asked Ron Lindsay to coordinate with Kevin Marsh on the letter as I have not been in that loop. Kevin is at EEI in Chicago through Wednesday. We will be prepared to answer bankruptcy questions, but it will be a difficult situation if it were to happen (not that we anticipate that it will) and the best we can do is be prepared and, as you are aware, we are making those preparations. Jeff will be ready to address engineering issues and the construction oversight board. I also believe that George Wenick will be available.

Steve

Regarding the agenda

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From: Crosby, Michael <michael.crosby@santeecooper.com>  
 Sent: Tuesday, June 14, 2016 11:27 AM  
 To: BYRNE, STEPHEN A  
 Subject: RE: Santee Board prep

\*\*\*This is an EXTERNAL email. Please do not click on a link or open any attachments unless you are confident it is from a trusted source.

---

Steve,

I'm not sure when our Board will be asked to approve the FPO ... timing of that had not been worked out as of Friday.

When our Board approves - details (could and likely) will go public including our analysis ... so I think timing needs to be thought out very carefully.

I believe Lonnie and Kevin are discussing. For info, Lonnie is at APPA in Phoenix this week ... due back Thursday.

Per my email (Friday below), Lonnie had asked for the ... (final) SCANA fixed price presentation and SCANA letter ... be ready for a package that we will submit to our Board this week. I believe Lonnie had discussed with Kevin ... receiving at least a draft of the letter.

I assume you OK with the proposed joint board meeting agenda ... I have forwarded it a couple of times now ... the first time was last Tuesday, June 7, 2016 6:03 PM.

Besides the Fixed Price Option ... I think the 2 biggest things are ... 1.) discussion around the bankruptcy scenario ... and ... 2.) SCANAs plan to address Santee Cooper's (March 3) recommendations - namely, the addition of outside EPC expertise to help manage WECs meager performance on the list of engineering impediments.

Regarding the Construction Oversight Review Board and the Project Assessment Report (our May 19 meeting) ... I forwarded Santee Coopers comments on both to Jeff Archie (and the entire SCANA executive team) back on June 2nd ... they were never acknowledged.

I know fiddling with emails on vacation is a pain in the rear ... so enjoy Scotland.

Safe travels ... and we will see you on Monday,

Thanks,  
Michael

-----Original Message-----

From: BYRNE, STEPHEN A [mailto:SBYRNE@scana.com]  
Sent: Tuesday, June 14, 2016 10:31 AM  
To: Crosby, Michael  
Cc: BRAZELL, BETH E  
Subject: [EXTERNAL SENDER] Re: Santee Board prep

Got it. I will talk to Kevin about the letter, I assume you don't need it until your board approves, which I understand won't be until July. I am in Scotland until Sunday.

Sent from my BlackBerry 10 smartphone on the Verizon Wireless 4G LTE network.

From: Crosby, Michael  
Sent: Tuesday, June 14, 2016 9:30 AM  
To: BYRNE, STEPHEN A  
Subject: Fwd: Santee Board prep

\*\*\*This is an EXTERNAL email. Please do not click on a link or open any attachments unless you are confident it is from a trusted source.

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Michael R. Crosby  
iPhone

Begin forwarded message:

From: "Crosby, Michael" <michael.crosby@santeecooper.com<mailto:michael.crosby@santeecooper.com>>  
Sent: Friday, June 10, 2016 5:00 PM  
To: "BYRNE, STEPHEN A" <SBYRNE@scana.com<mailto:SBYRNE@scana.com>>  
Cc: "Pelcher, Steve" <stephen.pelcher@santeecooper.com<mailto:stephen.pelcher@santeecooper.com>>, "Carter, Lonnie" <lonnie.carter@santeecooper.com<mailto:lonnie.carter@santeecooper.com>>, "MARSH, KEVIN B" <KMARSH@scana.com<mailto:KMARSH@scana.com>>  
Subject: RE: Santee Board prep

Steve,

**Crosby, Michael**

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**From:** Crosby, Michael  
**Sent:** Tuesday, June 14, 2016 11:28 AM  
**To:** 'BYRNE, STEPHEN A'  
**Subject:** RE: Santee Board prep

Steve,

I'm not sure when our Board will be asked to approve the FPO ... timing of that had not been worked out as of Friday.

When our Board approves - details (could and likely) will go public including our analysis ... so I think timing needs to be thought out very carefully.

I believe Lonnie and Kevin are discussing. For info, Lonnie is at APPA in Phoenix this week ... due back Thursday.

Per my email (Friday below), Lonnie had asked for the ... (final) SCANA fixed price presentation and SCANA letter ... be ready for a package that we will submit to our Board this week. I believe Lonnie had discussed with Kevin ... receiving at least a draft of the letter.

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I know fiddling with emails on vacation is a pain in the rear ... so enjoy Scotland.

Safe travels ... and we will see you on Monday,

Thanks,  
Michael

-----Original Message-----

From: BYRNE, STEPHEN A [mailto:SBYRNE@scana.com]  
Sent: Tuesday, June 14, 2016 10:31 AM  
To: Crosby, Michael  
Cc: BRAZELL, BETH E  
Subject: [EXTERNAL SENDER] Re: Santee Board prep

Got it. I will talk to Kevin about the letter, I assume you don't need it until your board approves, which I understand won't be until July. I am in Scotland until Sunday.



**Carter, Lonnie**

---

**From:** Crosby, Michael  
**Sent:** Tuesday, June 07, 2016 6:03 PM  
**To:** sbyrne@scana.com; MARSH, KEVIN B  
**Cc:** Carter, Lonnie; Baxley, Mike; Pelcher, Steve; Cherry, Marion; jason.williams@scana.com; Cherry, Marion; Williams, Jason  
**Subject:** VCS - Privileged and Confidential

Steve,

A quick follow-up to our phone conversation this morning.

**Vogtle milestone payment schedule** - we would be interested in any information you can raise on the Vogtle Project regarding work they may be doing on a new milestone payment schedule. Danny has mentioned on a couple of occasions that Vogtle settled on 200 milestones ... but he has never mentioned any progress towards an associated cash flow. It would be interesting to know what is going on with Vogtle if possible.

Also as you know, we are making preparations for **two board meetings** this month:

1. Friday, June 17<sup>th</sup> - Santee Cooper regular board meeting
  - a. Fixed Price analysis - Santee Cooper presentation (executive session)
2. Monday, June 20<sup>th</sup> - Santee Cooper / SCANA joint board meeting in Columbia
  - a. Fixed Price analysis - SCANA presentation (executive session)

We anticipate **bankruptcy scenario** questions at both board meetings. I know your folks are working on some of this ... but we need a high-level plan and talking points around the following:

1. Best guess estimate on project time delay
2. Process for acquiring WEC intellectual property
  - a. Need a timeline on SCANA confirmation that IP has been escrowed and audited
3. How would we handle any potential engineering design debt issues
4. Toshiba / WEC - contracted long lead equipment not yet received
  - a. How would we obtain contracts, completing manufacturing, and receive equipment
5. Replacement EPC contractor (Fluor)
6. Other

Finally, Lonnie asked me to forward you and Kevin a proposed agenda for the joint meeting on the 20<sup>th</sup>. Here is what I have so far ... welcome your comments.

**SC / SCANA Joint Board Meeting (June 20, Columbia) - Proposed Agenda (executive session)**

1. **Fixed Price Option**
  - a. SCANA analysis - presentation
  - b. PSC Testimony - any comments that can be shared
  - c. Draft SCANA letter to Santee Cooper - recommending Fixed Price Option
  - d. Potential Bankruptcy - outside legal opinion & plan to address (Lindsay / Baxley)
2. **SCANA update on Santee Cooper (5) recommendations dated Mar 3, 2016**
  1. Construction Milestone Payment Schedule - status update

- a. \$100M installments - plan for June & July
  - b. George Wenick - legal advice and DRB update
  - c. 3<sup>rd</sup> Party review - plan and schedule for Secretariat's work product
2. Project Evaluation and Assessment by Owners - status update
    - a. May 19 - executive leadership agreed to narrow focus to major engineering issues
    - b. SCANA's plan to address engineering issues
  3. Quarterly Executive Meetings - meetings scheduled, item closed
  4. Fixed Price Option - covered above
  5. Professional Oversight of EPC Agreement - status update
    - a. This item closely coupled to item 2 above

Steve - let's plan to discuss (all) of this on Thursday (late pm) - or Friday (afternoon) if possible.

Let me know what works best for you.

Thanks,  
Michael

## CMPS TIMELINE

Crosby, Michael

**From:** Crosby, Michael  
**Sent:** Thursday, June 16, 2016 10:58 AM  
**To:** Carter, Lonnie  
**Cc:** Cherry, Marion; Pelcher, Steve; Williams, Jason  
**Subject:** RE: V.C. Summer  
**Attachments:** MRC - 2016 06 16 - LNC Timeline.pdf

Lonnie ... see attached ... quick and dirty ... but should help to jog memory.

I'm sure I missed a few details ... I will keep looking.

If you (or others) can think of anything to add ... please let me know.

Thanks,  
Michael

---

**From:** Carter, Lonnie  
**Sent:** Thursday, June 16, 2016 7:33 AM  
**To:** Crosby, Michael  
**Cc:** Cherry, Marion; Pelcher, Steve; Williams, Jason  
**Subject:** Re: V.C. Summer

Michael,

Please layout time line for me where we first asked SCANA to work on mile stone payment schedule and specifically to get help. And when did going to the DRB first come up. Would like for Board meeting.

Thanks  
Lonnie

Sent from my iPad

On Jun 15, 2016, at 5:47 PM, Crosby, Michael <[michael.crosby@santeecooper.com](mailto:michael.crosby@santeecooper.com)> wrote:

I'm good Lonnie ... this reduces to a 30 day (or less) full court press to:

1. DRB - complete all work ... get the DRB up and running
2. CMPS case - support Secretariat / Wenick ... get the case submitted on or before Jul 15

We will make our share of payment #6 tomorrow.

Thanks,  
mrc

---

**From:** Carter, Lonnie  
**Sent:** Wednesday, June 15, 2016 5:23 PM  
**To:** Crosby, Michael  
**Cc:** Cherry, Marion; Pelcher, Steve; Williams, Jason  
**Subject:** Re: V.C. Summer

Michael,

Please make the payment. I talked to Kevin, we agree to this Payment in lieu of Danny trying to send a larger bill. Wenick is to get us to the DRB before the next payment which does mean we would owe two more \$100m payments. This frustrating because we could have further along if SCANA had reached out for help when we suggested.

Call if you wish to discuss.

Thanks,  
Lonnie

On Jun 15, 2016, at 4:58 PM, Crosby, Michael <[michael.crosby@santeecooper.com](mailto:michael.crosby@santeecooper.com)> wrote:

Lonnie,

I became aware earlier today that Kevin Marsh has approved making payment #6 (for a total of \$600M) ... AND ... instead of this payment being **#6 of 7** per the Oct 2015 Amendment ... this payment will be considered **#6 of 8** (see Wenick to Pelcher email below).

**Are you OK with making payment #6 ...** SCANA is already circling the wagons for Santee Cooper approval ?

The way project invoicing works is ... if we make payment **#6** ... this will give us about 30 days to solve the issue or make the decision to take the case to the DRB.

If the DRB decision spills past **July 15** ... WEC will argue hard for 2 more payments ... totaling 9.

We cannot let the DRB decision become open-ended ... we need an agreed upon strategy and plan.

Food for thought ... should you get an opportunity to talk with Kevin.

Michael

---

**From:** Wenick, George [<mailto:gdwenick@smithcurrie.com>]  
**Sent:** Wednesday, June 15, 2016 3:38 PM  
**To:** Pelcher, Steve; BYNUM, ALVIS J JR  
**Cc:** Crosby, Michael  
**Subject:** [EXTERNAL SENDER] RE: V.C. Summer

Steve,

**Redacted - Privilege**



## Redacted - Privilege

George

**From:** Pelcher, Steve [<mailto:stephen.pelcher@santeecooper.com>]  
**Sent:** Wednesday, June 15, 2016 3:27 PM  
**To:** BYNUM, ALVIS J JR; Wenick, George  
**Cc:** Crosby, Michael  
**Subject:** RE: V.C. Summer

Al: Redacted - Privilege

## Redacted - Privilege

Thanks.

Steve

**From:** BYNUM, ALVIS J JR [<mailto:ABYNUM@scana.com>]  
**Sent:** Wednesday, June 15, 2016 3:21 PM  
**To:** Pelcher, Steve; Wenick, George  
**Subject:** [EXTERNAL SENDER] RE: V.C. Summer

## Redacted - Privilege

**From:** Pelcher, Steve [<mailto:stephen.pelcher@santeecooper.com>]  
**Sent:** Wednesday, June 15, 2016 3:11 PM  
**To:** Wenick, George <[gdwenick@smithcurrie.com](mailto:gdwenick@smithcurrie.com)>; BYNUM, ALVIS J JR <[ABYNUM@scana.com](mailto:ABYNUM@scana.com)>  
**Subject:** RE: V.C. Summer

\*\*\*This is an EXTERNAL email. Please do not click on a link or open any attachments unless you are confident it is from a trusted source.

George: Redacted - Privilege

## Redacted - Privilege

Thanks.

Steve

**From:** Wenick, George [<mailto:gdwenick@smithcurrie.com>]  
**Sent:** Wednesday, June 15, 2016 3:07 PM  
**To:** Pelcher, Steve; BYNUM, ALVIS J JR  
**Subject:** [EXTERNAL SENDER] RE: V.C. Summer

Steve,

**Redacted - Privilege**

George

**From:** Pelcher, Steve [<mailto:stephen.pelcher@santeecooper.com>]  
**Sent:** Wednesday, June 15, 2016 2:57 PM  
**To:** Wenick, George; BYNUM, ALVIS J JR  
**Subject:** RE: V.C. Summer

Thank you, George.

**Redacted - Privilege**

Steve

**From:** Wenick, George [<mailto:gdwenick@smithcurrie.com>]  
**Sent:** Wednesday, June 15, 2016 2:42 PM  
**To:** Pelcher, Steve  
**Cc:** AL BYNUM  
**Subject:** [EXTERNAL SENDER] FW: V.C. Summer

Steve,

## Redacted - Privilege

George

**From:** Wenick, George  
**Sent:** Wednesday, June 15, 2016 2:35 PM  
**To:** '[swansora@westinghouse.com](mailto:swansora@westinghouse.com)'  
**Cc:** 'Corgan, Brian'; AL BYNUM  
**Subject:** FW: V.C. Summer

Rick,

There seems to be some confusion. Al has been in Italy on vacation and just returned on Sunday. He tells me he has not communicated with you since before he left. In any case, does WEC agree with the following proposal:

1. The Owner will make payment of \$100 million by wire tomorrow. The deadline for today has passed.
2. That payment will be the sole payment for June and will be treated the same as the first five \$100 million payments under the October 2015 Amendment.
3. WEC will provide "phantom billings" for June, using the original four categories, as it did for the five previous months of this year; and
4. There will be a true up concerning the June payment in the same way that the first five payments in 2016 are to be true up under the October 2015 Amendment.

As counsel for the Owner, I have been authorized to make this offer on its behalf. If WEC agrees, please indicate that you have the authority to accept the offer on WEC's behalf and that WEC does accept, or have someone with such authority do so. If WEC believes that emails between authorized parties is insufficient, please propose an alternative. The Owner would like to ensure that WEC is paid.

If you have any questions or wish to discuss this please call me.

George

Reply to:

George D. Wenick  
[gdwenick@smithcurrie.com](mailto:gdwenick@smithcurrie.com)  
Smith, Currie & Hancock, LLP  
2700 Marquis One Tower  
245 Peachtree Center Avenue  
Atlanta, GA 30303-1227

Direct Dial 404/582-8037  
Fax. 404/688-0671

**From:** Corgan, Brian [<mailto:bcorgan@kilpatricktownsend.com>]  
**Sent:** Wednesday, June 15, 2016 10:13 AM  
**To:** Wenick, George  
**Cc:** Swanson Richard A.  
**Subject:** Re: V.C. Summer

George,

Rick Swanson and Al Bynum have been handling this issue, and for me to interject myself would, I suspect, be counterproductive. You or Al are free to work directly with Rick on this, just copy me on your exchanges.

I am copying Rick on this response.

I can speak with you if it becomes either necessary or helpful.

Brian G. Corgan  
Kilpatrick Townsend  
Chambers Construction Law  
Firm of the Year 2015 and 2016  
404.815.6217  
[Bcorgan@kiltown.com](mailto:Bcorgan@kiltown.com)

On Jun 15, 2016, at 9:34 AM, Wenick, George <[gdwenick@smithcurrie.com](mailto:gdwenick@smithcurrie.com)> wrote:

Brian,

I understand that the various CEOs have agreed by email that the owner will fund \$100 million for June. The October 2015 Amendment does not address such payment.

The owner is set to send the wire but believes that we need a more formal understanding than simply the emails. We also feel that the parties should spell out what we believe in implicit, namely, that the payment will be treated the same as the first five \$100 million payments, that WEC will continue to provide "phantom billings" for June as it did for previous months of this year, and that there will be a true up concerning this payment in accordance with the terms of the October 2015 Amendment.

I will be in the office all day, if you would like to call me to discuss this.

George

Reply to:  
George D. Wenick  
[gdwenick@smithcurrie.com](mailto:gdwenick@smithcurrie.com)



Smith, Currie & Hancock, LLP  
2700 Marquis One Tower  
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- Oct – Feb
  - Multiple discussions with SCANA executive management impressing upon them the need to proactively pursue the timely development of a CMPS as soon as possible .... As soon as possible being Dec 31 immediately after consummation of the WEC acquisition of CB&I Stone and Webster.
- Thu, Mar 3<sup>rd</sup>
  - Santee Cooper formal recommendations ... emailed to Kevin
- Mon, Mar 7<sup>th</sup>
  - Meeting in Kevin's conference room to discuss formal recommendations
    - Recommendation #1 – Santee Cooper request to formally engage 3<sup>rd</sup> party (Bechtel – Jason Moore) to assist with development of an appropriate CMPS.
      - Over next 6 weeks ... Jeff Archie made a mess of this ... Steve Byrne remained more than an arm's distance away.
      - I had multiple face meetings with Jeff & Steve ... and launched multiple emails trying to get this done.
      - Jeff Archie first attempted to hire Jason Moore under the table to avoid the appearance that Bechtel was involved with the Project.
        - This really ticked off Craig Albert & Ty Troutman
      - Jeff Archie & Al Bynum ... next dragged their feet and made a mess out of getting a formal service agreement in place to on-board Bechtel ... they just would not follow-up on the process without me poking them.
      - At some point in April ... Bechtel washed their hands of being involved with SCANA.
        - Looking back to the Bechtel assessment – SCANA was never fully supportive of the effort – never made Bechtel feel welcome ... Craig Albert discussed this with Santee Cooper many times.
        - Per Ty Troutman ... the only reason Bechtel was willing to consult on the CMPS ... was out of respect to Lonnie and Santee Cooper ... Bechtel is not in the consulting business.
        - Per Troutman ... you cannot help someone who does not want your help ... Bechtel made a business decision to move on.
      - However, during this Bechtel mess ... SCANA found it easy to hire (for a 2 day gig) an independent consultant that had been involved with the TVA Watts Bar 2 Project ... the guy was a buddy (of a buddy) of Jeff Archie. The consultant was a squared-away guy (per Marion) but the scope of his work was limited to 2 days.
- Fri, Mar 11<sup>th</sup>
  - Lonnie / Leighton meet with Kevin / Harold Stowe
    - I'm sure Santee Cooper recommendations were discussed in detail.

- Wed, Apr 13<sup>th</sup>
  - First Presidents Meeting
    - CMPS discussed in detail ... all need to avoid DRB
    - Roderick commits to phone call (next week) to check progress
- Thu, Apr 21<sup>st</sup>
  - First Danny call
  - Had to drag Byrne to this call ... but he engaged thereafter
  - DRB avoidance ... discussed at each Danny call
- Tue, Apr 26<sup>th</sup>
  - Next Danny call
- Tue, May 3<sup>rd</sup>
  - Next Danny call
- Fri, May 6<sup>th</sup>
  - Next Danny call
  - Kevin in mountains ... Byrne leads
- Fri, May 13<sup>th</sup>
  - Next Danny call
  - Lonnie ... bone fishing ... Crosby leads
- Thu, May 19<sup>th</sup>
  - Kevin's conference room
    - CMPS
      - At impasse with WEC ... discussed letting Danny sit for a while
      - Discussed (again) retain 3<sup>rd</sup> party to help with CMPS
    - Discussed Bechtel Assessment
    - Discussed Construction Oversight Review Board
- Mon, May 23<sup>rd</sup>
  - After Board rehearsal ... Lonnie attempts to call Kevin
  - Lonnie goes to Wampee (linemen)
  - Finally hook-up with Kevin ... early afternoon
    - Discussed next move with CMPS and Danny
      - Discussed 3<sup>rd</sup> party review of Danny's books
    - Discussed potentially making payment #6
    - Kevin ... now serious about engaging Wenick and DRB
      - Kevin takes action to contact Wenick
- ~~Mon, May 30<sup>th</sup>~~ <sup>Wed, Jun 1</sup>
  - Wenick meets with SCANA Business & Finance (B&F) and Marion
    - Wenick announces plan to use 3<sup>rd</sup> party expert ... Secretariat

- Jun 7 & 8
  - Secretariat first lands ... for working session with B&F and Marion (Day 1 & 2)
- Jun 15 & 16
  - Secretariat ... back on site (Day 3 & 4)

Lonnie ... note, all the while throughout this process (6 months) ... Santee Cooper team legal has been pushing for:

- SCANA and Wenick ... to get DRB set-up
- SCANA ... to engage bankruptcy counsel

### **Nuclear Timeline—Project Bankruptcy Counsel**

Beginning with the precipitous decline of Toshiba's credit rating and financial strength, the Santee Cooper Board and management team have been requesting that SCANA retain bankruptcy counsel for the project. The following timeline is illustrative:

#### **Timeline: Bankruptcy Counsel**

April 2015: Toshiba announces accounting scandal.

July 21, 2015: Toshiba senior executives and Board of Directors resign.

Dec 22, 2015: Moody's reduces Toshiba long term bond rating to junk status.

Mar 2016: Santee Cooper approaches Nelson Mullins bankruptcy counsel about Project, conflicts check shows WEC is a client of Nelson Mullins in some capacity.

Mar 21, 2016: **Joint Board Meeting 1 (Columbia Hilton)** – Boards discussed declining financial condition of Toshiba and what financial response the Owners should make to poor project progress. Owners' counsel met with George Wenick that afternoon and Santee Cooper requested that bankruptcy counsel be retained for the Project as a proactive measure given Toshiba's and potentially WEC's financial condition.

Apr 4, 2016: **Pelcher email to Bynum (April 4, 2016 4:01 PM EDT)** – pertinent excerpt

"... has SCE&G secured a project bankruptcy attorney to help us think through how Toshiba's financial difficulties might impact Westinghouse and ultimately us? You may recall this is a topic we discussed during our Mar 21 (post board meeting) nuclear attorneys meeting ..."

Jun 7, 2016: **Crosby email to Byrne (June 07, 2016 6:03 PM EDT)** – pertinent excerpts

"... Lonnie asked me to forward you and Kevin a proposed agenda for the joint meeting on the 20th. Here is what I have so far ... welcome your comments.

1. Fixed Price Option
  - a. SCANA analysis – presentation
  - b. PSC Testimony – any comments that can be shared
  - c. Draft SCANA letter to Santee Cooper – recommending FPO
  - d. Potential Bankruptcy – outside legal opinion & plan to address"

Jun 16, 2016: **Marsh email to Carter (June 16, 2016, at 3:39 PM)** - pertinent excerpts

"Based on our internal discussions, we propose an agenda as follows:



1. Follow-up on issues from our last joint meeting;
2. Consideration of the fixed price option; and
3. Update on the milestone schedule/Dispute Resolution Board (DRB) issue"

"Through a number of emails I have seen other topics that your board may want to discuss. We are prepared to do that, but we believe that such a discussion should occur when we have more time. Issues, such as the potential bankruptcy of Toshiba or Westinghouse are critical, but would prefer to have some detailed discussions and debate within our project teams before making a formal presentation to either of our boards."

Jun 16, 2016: **Carter email to Marsh (Jun 16, 2016, 7:20 PM)** – pertinent excerpts

"... Finally, I agree with you that further staff level discussion on the ramifications of a Toshiba or Westinghouse bankruptcy would be useful and should precede any formal presentations to our boards on this matter. With that said, the possibility of such a bankruptcy cannot be entirely divorced from our joint board discussions on Monday. For example, Item No. 2 on your agenda relating to the fixed price option obviously shifts risk away from the Owners and to Toshiba/Westinghouse, making their credit worthiness all the more important. Similarly, with respect to Item No. 3, getting the milestone payment schedule right will make it less likely that Westinghouse view as desirable a strategic Chapter 11 bankruptcy to rid itself of uneconomical executory contract."

Jun 17, 2016: **Carter email to Marsh (June 17, 2016 5:12 PM)** – pertinent excerpts

"At today's Santee Cooper Board meeting several questions regarding the implications of a Toshiba bankruptcy came up. Some we could address others not. I would anticipate similar questions Monday...."

Jun 23, 2016: **Pelcher email to Bynum (June 23, 2016, at 5:12 PM)** – pertinent excerpts

"... At one of my notes from Monday's Joint SCANA/Santee Cooper Board Meeting in Columbia was an interest by members of the respective boards in retaining project bankruptcy counsel to provide strategic advice on the challenges associated with Toshiba's financial difficulties arising out of last year's accounting scandal and the risk that posed to the Owners and the project."

"As I understood the discussion from Monday, our joint boards had an interest in retaining as project counsel someone who would be able to represent us both now and in the event of a bankruptcy without having to get a waiver from Westinghouse or Toshiba. My notes indicate that you tasked George Wenick to identify potential project bankruptcy counsel for this purpose."

"One more thing - - and just speaking for myself - - in the penultimate paragraph of his June 16, 2016, at 3:39 PM Email, below, Kevin Marsh advanced the idea of

### Nuclear Timeline—Additional Project Management Request

For well over two years, the Santee Cooper Board and management team have been pressing SCANA to substantially enhance the construction project management team by repeated direct requests, through the Bechtel analysis, and via the CORB process, as indicated by the timeline below.

#### Timeline: Project Management

- May 2014: **Roll-up Letter** - Shortly after sending the May 2014 roll-up letter to WEC receiving the \$1B EAC (Aug), Santee Cooper began discussions with SCE&G executives to engage outside assistance with management of the EPC contract.
- Sep 3, 2014: **Marsh email to Carter (September 3, 2014 at 2:06:00 PM EDT) ...**  
 "We are ready to move forward with hiring/engaging an additional resource with significant construction expertise to assist us with evaluating the construction schedule and project status. I believe having this person on our staff vs. working as a consultant will avoid conflicts with the consortium on proprietary matters."
- Feb 17, 2015: **SCANA Meeting (Timmerman's old office)** - Marsh, Byrne, Carter, Watson, Crosby) - Santee Cooper suggests Bechtel for project review, providing SCANA with a project assessment proposal to assist in identifying areas for improvement.
- Apr 7, 2015: **Bechtel Meeting (SCANA Hangar)** - Team Marsh, Team Carter, & Bechtel - Bechtel introduces its nuclear team and presents assessment proposal. Kevin agrees to seek SCANA Board approval to go forward with an assessment.
- Apr - Aug: **SCANA and Santee Cooper Board approvals received** - to move forward with a Bechtel project assessment.
- Aug 10, 2015: **Bechtel Assessment** - finally begins. Much time lost April through July getting Roderick & Asherman engaged and NDAs and PO in place. To push forward, Santee Cooper made the Bechtel assessment a "requirement" to proceed with the (stalled) negotiations that eventually led to CB&I exiting the Project.
- Aug - Oct: **Bechtel Calls** - Craig Albert holds weekly calls with Marsh & Carter. SCANA NND project leadership has limited involvement in the assessment. Cherry steps up to lead effort on behalf of Owners. Cherry engages Archie in a daily effort to force WEC (Benjamin / Roderick) to release engineering & schedule documents. Carl Rau & Roderick eventually have a heated email exchange. Documents are finally released to a reading room only - the assessment effort is a challenge.
- Oct 22, 2015: **Bechtel Meeting (SCANA HQ)** - Bechtel executive level report-out of project assessment, findings, and high-level recommendations. Bechtel promises a final report in 2-3 weeks. SCANA management expresses hesitation, routes



assessment through legal department, indicates concern Bechtel's objective is to seek a long-term engagement on the Project.

Nov 12, 2015: **Bechtel Assessment Report – issued to George Wenick** - Weeks go by with Wenick/Bechtel wrangling over Wenick's rejection of initial report, redactions, timeline removal, critique of project management. Baxley, Pelcher, Lindsay, and Bynum meet with Wenick (in Atlanta) for a review and final disposition of report.

Feb 5, 2016: **Bechtel Project Assessment Report** – Numbered copies of final report released to Santee Cooper by SCANA.

Mar 4, 2016: **Santee Cooper Recommendations** – Five formal recommendations forwarded to Marsh:

1. Construction Milestone Payment Schedule
2. Project Evaluation and Assessment by Owners
3. Quarterly Meetings with Toshiba / WEC / Fluor
4. Evaluation of Fixed Price Option
5. Professional Oversight of EPC Agreement

Mar 7, 2016: **SCANA Meeting (Kevin's conference room)** – Marsh, Byrne, Archie, Lindsay, Bynum, Team Carter – group discusses Bechtel Report and Santee Cooper formal recommendations. Carter praises SCANA's project management team for its operations experience and ability to work well with NRC, but expresses concern over inability to hold Consortium accountable.

Marsh agrees to have the SCANA and Santee Cooper teams study the Bechtel Report, agree on actionable recommendations. Marsh agrees to add EPC resources to his team to fill any gaps/needs identified.

Marsh, Byrne & Archie float Construction Oversight Review Board (CORB) approach as a possible resource solution ... same was being used at Vogtle.

CMPS – at Santee Cooper's request, Marsh agrees to hire Bechtel (Jason Moore) on a limited scope basis to assist team in development of the CMPS. Action assigned to Archie, Archie first attempts to hire Jason Moore as an independent contractor. Subsequently, Craig Albert instructs his staff to move on.

Mar 11, 2016: **CEO Meeting (Columbia)** - Marsh, Harold Stowe, Carter, Leighton Lord – meet to discuss Santee Cooper's formal recommendations and expectations of SCANA for the planned Mar 21 Joint Board meeting.

Mar 18, 2016: **Marsh email to Carter (March 18, 2016 at 8:25:34 AM EDT)** ... pertinent excerpts provided below:

"Our team is looking forward to meeting with the Santee Board next Monday ..."

"We appreciate the effort behind the recommendations provided to us regarding your views on project issues. We have carefully considered your concerns and, as we discussed in our meeting last week, we appear to be in alignment on the first four. We agree in principle with the concern expressed in Item 5 related to additional oversight of the project and have a plan of action that we believe will address the issue appropriately. Our first step in this regard is to staff a Construction Oversight Board.

"Next we would seek an appropriate number of experienced EPC, and/or large construction project personnel to add to the new nuclear team. These individuals would be available to assist the current Project Management Office team and site leadership in assessing and addressing issues arising during construction. I am confident that the number and specific type of personnel needed in this capacity will be informed by the work of our teams who are currently summarizing a list of recommendations for the project going forward. We expect these teams to complete their work and provide a report to senior management by the end of April."

Mar 21, 2016: **Joint Board Meeting 1 (Columbia Hilton)** – discussed Bechtel Report, Santee Cooper March 3 formal recommendations and SCANA's plan forward to address issues.

Marsh committed that SCANA and Santee Cooper would work to identify actionable Bechtel recommendations. SCANA would add EPC experts to its team, and that SCANA would charter a V.C. Summer Construction Oversight Review Board to help SCANA with project execution.

Apr 7, 2016: **SCANA feedback on Bechtel Assessment** – Cherry and Crosby meet with Archie and Bynum. In response to Marsh's request for the teams to work on the Bechtel assessment recommendations, Bynum gave Santee Cooper a spreadsheet containing SCANA feedback from several members of the NND project management team. Brad Stokes (SCANA Manager of Engineering) had not been a part of the Bechtel assessment review effort, even though many issues tied to engineering were impeding progress on the Project.

Apr 15, 2016: **Santee Cooper feedback on Bechtel Assessment** – Also in response to Marsh's request for the teams to work together on the Bechtel assessment, Santee Cooper forwarded Archie and Bynum Santee Cooper's formal review of the Bechtel assessment which included a cross-reference to SCANA's feedback. Santee Cooper's feedback was consistent with its Mar 3<sup>rd</sup> recommendations calling for the addition of EPC expert resources to assist SCANA project management with executing Bechtel recommendations on engineering, procurement, project controls & scheduling.

Archie called Crosby and Byrne emailed Crosby a few days later and confirmed that they had received and reviewed Santee Cooper's feedback ... and that the teams were in agreement.

May 19, 2016: **SCANA meeting – CMPS & Bechtel Assessment** – Marsh, Byrne, Archie, Carter, Crosby, Cherry meet.

**CMPS:** WECs front-end loaded CMPS discussed in detail. Santee Cooper again requested SCANA seek outside expertise to assist Owners with this issue.

**Bechtel Assessment:** Due to the progress WEC & Fluor appear to be making on procurement issues – Santee Cooper agreed to narrow the focus of the Bechtel recommendations to only engineering issues.

Jun 17, 2016: **Santee Cooper Board Meeting (Wampee)** – Fixed Price Option formally introduced to the Santee Cooper Board. .

Jun 18, 2016: **Crosby email to Archie (June 18, 2016 10:50 AM EDT)** – Marsh, Carter and Byrne were copied ... pertinent excerpts provided.

“Yesterday, Marion brought me the attached document that you gave him Thursday on the Project Assessment Report.... SCANA's recommendation, and apparent next step, is to perform (another) 3<sup>rd</sup> party assessment on how to make things better.....I am not supportive of just another 3<sup>rd</sup> party assessment. The assessment completed Q3 2015, at a cost of \$1M, was sufficient for Santee Cooper to recognize the need to on-board experts help to work on key issues and improve the management of the Project.” No response was received.

Jun 20, 2016: **Joint Board Meeting 2 (Nexsen Pruet)**

**Fixed Price Option:** SCANA presents its analysis of the Fixed Price Option.

**CORB:** Peggy Pinnell (Santee Cooper Director) reminds Archie of his commitment in the Mar 21 joint meeting to get the CORB established as soon as possible. Archie recommit to getting the CORB established by Jul 20.

Aug 2016: **CORB Review #1** – The Construction Oversight Review Board held its first review in Jul & Aug. The initial review provided for a high-level review of the project schedule, construction, construction to startup turnover planning, engineering, startup, project management, procurement, document control, vendor supplied equipment, and component testing. An executive level exit meeting was held on Aug 18 – primary takeaways follow:

- Schedule has too many activities (238K vs 60K at Watts Bar 2)
- Subcontracts are not in schedule
- Engineering is impeding construction
- Engineering not in schedule – being handled by lists
- Project Management – must get aggressive to hold EPC accountable, Team will not make it without some help

CORB Chairman (Skaggs) promised final report in 2 weeks.



Sep 16, 2016: **Draft CORB Report #1** – received from SCANA after Carter discussed with Marsh that the report was past due. Report was in-house SCANA and being reviewed by Archie. Bynum forwarded a copy to Baxley and reminded Santee Cooper the report was confidential.

Oct 13, 2016: **SCANA action on CORB Report #1** – Williams requests an update from Archie on Oct 5. Jones forwards a report on Oct 13. The information received was primarily a report on what WEC & Fluor are doing to address CORB recommendations on schedule, engineering, project metrics, etc.

**Conclusion:** SCANA's project management team has many areas of strength (nuclear safety culture, operations, NRC management) but does not have the comprehensive skills and depth of experience necessary in engineering, scheduling, project controls and construction to manage a large new build project laced with complexities. Those complexities being (1) a first of a kind nuclear technology (2) being deployed by an over-extended equipment manufacturer (Westinghouse), (3) backed by an incompetent engineering firm responsible for project integration (Stone & Webster now WECTEC), and (4) a Contractor that has been disingenuous on multiple issues. The Project would be greatly benefitted by infusing the current project management team with a framework of qualified EPC managers charged with working collaboratively with the Owner and Consortium to identify areas for improvement, suggest proven solutions, and to provide an independent perspective on actual progress – the effort aimed at increasing the accountability of the Consortium and the success of the Project. After three years of project delays, and now another five months of Unit 2 delay realized in 2016 – there should be no shame in reaching out for qualified assistance.



## INTER-OFFICE COMMUNICATION

Date: June 18, 2016

To: Board of Directors

From: Michael R. Crosby, Senior Vice President, Nuclear Energy

Subject: Privileged and Confidential  
V. C. Summer Nuclear Station - Units 2 & 3  
Executive Session - Board Materials

Attached please find the following information for our joint meeting with SCANA on June 20, 2016. Please note these are the same materials used in preparation for our first joint meeting with SCANA on March 31, 2016. These materials are provided for information only and do not require action by the Board:

- Project Schedule – Summary of Substantial Completion Delays
- SCANA – BIO Information – New Nuclear Project Management
- SCANA – BIO Information – Board of Directors
- Santee Cooper – Draft Concerns with Consortium and EPC Management
- Santee Cooper – Draft Recommendations to SCANA

In addition, the following topics and questions were discussed in executive session during the Executive Corporate Planning Committee meeting on June 17, 2016. These topics should be considered for discussion with SCANA at the joint meeting on June 20, 2016.

**1. Bankruptcy:**

- What situations could be created for the Owners if WEC / Toshiba files for bankruptcy?
- Why does SCANA not support securing outside legal counsel?
- How would we obtain WEC contracted equipment and finish the project?
- What would Owners do if, due to bankruptcy proceedings, Fluor was not available (or allowed) to finish the project.

**2. Intellectual Property:**

- What is the status and schedule for securing Intellectual Property?

**3. Fixed Price Scenario:**

- What will the Owners do if fixed price (\$6.082B) is not sufficient for WEC to complete the Project?

**4. Dispute Resolution Board:**

- Where do we stand on setting up the Board?
- Why has this taken so long?

Board of Directors  
June 18, 2016  
Page 2

**5. Construction Milestone Payment Schedule:**

- Status update.
- Santee Cooper Recommendation #1 – why did SCANA wait so long to engage 3<sup>rd</sup> party expertise to assist with effort?
- What is SCANA's plan and schedule to notify WEC and submit CMPS to the DRB?

**6. Santee Cooper Recommendations #2 and #5:**

- What is SCANA's plan to on-board outside EPC expertise to address assessment recommendations?

If you have any questions, please do not hesitate to call Michael Crosby or Lonnie Carter.

Attachments

**Aiken, Ronald**

---

**From:** Scott, Dukes  
**Sent:** Wednesday, June 22, 2016 9:25 AM  
**To:** Edwards, Nanette; Nelson, Jeff; James, Anthony; Hipp, Dawn; Jashinsky, Jay  
**Subject:** Re: Another \$100,000,000.00?

This \$100,000,000 is being paid under the unapproved amendment and will not be included in revised rates. Also, the \$88,000,000 delta that Jay found will not be included in the revised rates. Sceg denies any knowledge of Westinghouse cash flow issues and will Betty will contact Gene.

C. Dukes Scott  
Executive Director  
SC Office of Regulatory Staff  
1401 Main Street, Suite 900  
Columbia, SC 29201  
Office: (803) 737-0805  
Cell: (803) 463-6524  
Fax: (803) 737-1900

On Jun 22, 2016, at 8:07 AM, Scott, Dukes <[Dukes.Scott@regstaff.sc.gov](mailto:Dukes.Scott@regstaff.sc.gov)> wrote:

I sent the below email. Dukes

C. Dukes Scott  
Executive Director  
SC Office of Regulatory Staff  
1401 Main Street, Suite 900  
Columbia, SC 29201  
Office: (803) 737-0805  
Cell: (803) 463-6524  
Fax: (803) 737-1900

Begin forwarded message:

**From:** <[Dukes.Scott@regstaff.sc.gov](mailto:Dukes.Scott@regstaff.sc.gov)>  
**Date:** June 22, 2016 at 8:06:20 AM EDT  
**To:** Kenny Jackson <[kjackson@scana.com](mailto:kjackson@scana.com)>, BYRON W HINSON  
<[BHINSON@scana.com](mailto:BHINSON@scana.com)>  
**Subject:** Another \$100,000,000.00?

I have been told SCE&G has agreed to another \$100,000,000 payment, for a new total of \$600,000,000.

Is Westinghouse having cash flow issues? Is this payment necessary because Westinghouse would otherwise have difficulty meeting some of its financial obligations?

C. Dukes Scott  
Executive Director

SC Office of Regulatory Staff  
1401 Main Street, Suite 900  
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